



The President's Daily Brief

November 26, 1976

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FOR THE PRESIDENT ONLY

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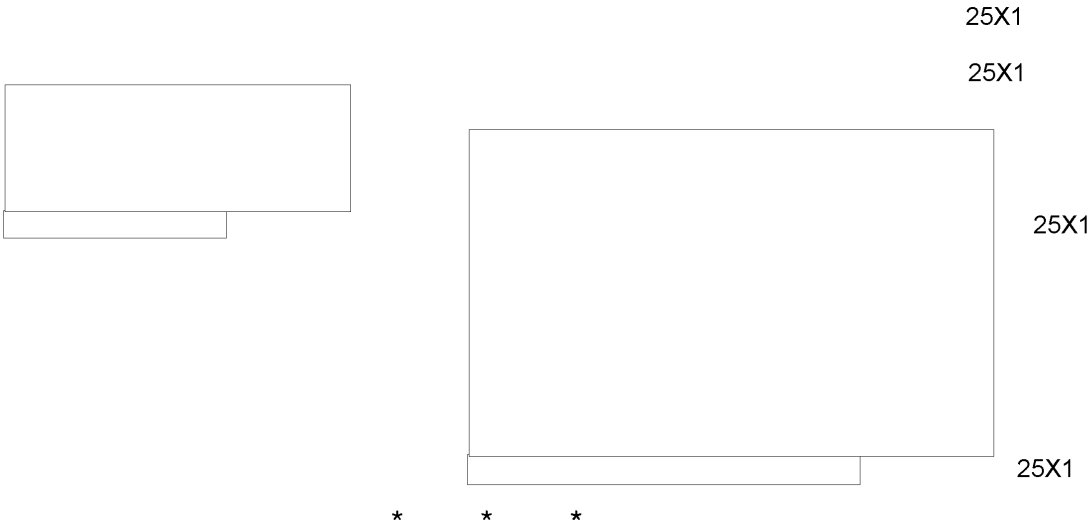
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JAPAN: *Japan's 1976 exports, judging from data through September, should exceed its total overseas sales in 1975 by 18 percent, partly because of a successful export drive into de-veloped country markets.*

Sales to developed country markets have accounted for 86 percent of the rise in Japanese exports this year. The Japanese have pushed high-value items, such as cars, steel, and electronic products.

Japan has been in a better position than other industrial producers to boost sales to the US and other key developed country markets because of its superior marketing system. While European automobile manufacturers--particularly Volkswagen--were cutting back outlets in 1974 and 1975, Toyota, Honda, and Nissan were increasing both the number of outlets and showroom space. To increase sales of televisions, Japanese firms teamed up with leading US retailers--Sears, JC Penney, and Montgomery Ward--and now produce 80 percent of the portable color TVs marketed under these labels.

Japanese producers--particularly of steel, textiles, and machinery--have made extensive use of rapidly expanding Japanese trading firm subsidiaries both in the US and Europe.

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In response to the recent world economic downturn, Japanese firms were the first to cut export prices to key markets well below their competitors. Export prices dropped 21 percent in dollar terms from early 1975 until early 1976. Furthermore, Japanese traders have not taken advantage of the economic recovery by rapidly increasing export prices.

Japan will face new trade barriers if it continues to make inroads in industrial country markets.

Partly to avoid such barriers and partly to counter rising production costs at home, Japanese firms have been acquiring production facilities in the US.



If foreign pressure continues to mount, we expect Japan to try to obtain marketing agreements that would allow Japanese industry to hold on to as much of their expanded market shares as possible.

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USSR-ROMANIA: Talks in Bucharest this week between General Secretary Brezhnev and President Ceausescu and the joint declaration they signed indicate efforts to promote an appearance of improved relations without making any fundamental concessions.

During the course of the talks, Brezhnev said no "important, unresolved problems" exist between Moscow and Bucharest, but then touched on such subjects as the need to perfect the division of labor among socialist states and the necessity for "cohesion of socialist countries."

Ceausescu said that differences of opinion on "non-essential problems should not affect bilateral cooperation." He then enumerated almost all points of contention between the two countries. He mentioned Romania's

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status as both a socialist and developing country, came close to equating the nonaligned world with socialist countries, and made only passing references to the Warsaw Pact and the Council for Economic Mutual Assistance.

The Romanian party daily, Scinteia, covered in its Tuesday issue the visits of both Brezhnev and Secretary of Commerce Richardson to Bucharest and of a Romanian deputy defense minister to China.

Brezhnev and Ceausescu ended their discussions on the eve of the meeting in Bucharest of the Warsaw Pact's Political Consultative Committee.

The committee presumably will consider issues to be discussed at next year's follow-on conference to the Helsinki accords. Romania seems likely to continue to differ with the USSR as to what these issues should be.

The consultative committee may also surface a new initiative urging the West to agree to concrete measures on disarmament. Brezhnev said Wednesday that he hopes to see rapid movement on the Strategic Arms Limitation Talks when the new US administration takes office.

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